

Message Text

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ORIGIN ARA-10

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NSC-05 /039 R

DRAFTED BY ARA/ECP:SHROGERS:SAB
APPROVED BY ARA/ECP:SHROGERS
ARA/AND:DKEMP
EB/ORF/FSE:WMILAM (SUBSTANCE)
TREASURY:RSEYMOUR (SUBSTANCE)
USIMF:RMEYER (SUBSTANCE)
ARA:FJMCNEIL

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TO AMEMBASSY LIMA PRIORITY

C O N F I D E N T I A L STATE 005853

LIMDIS

E.O. 11652: GDS

TAGS: ECON, PE

SUBJECT: PERU AND THE IMF

1. VICE MINISTER OF FINANCE ALCANTARA IS IN WASHINGTON TO SEE IMF. IMF UNDERSTANDS ALCANTARA WILL ASK THAT BOARD AGREE THAT GOP MAY RAISE PRICES OF OTHER PETROLEUM PRODUCTS RATHER THAN INCREASE GASOLINE PRICE. THIS ACTION WOULD PRESUMABLY PROVIDE PETRO PERU WITH REVENUES EQUIVALENT TO THOSE WHICH WOULD HAVE BEEN GENERATED BY THE GASOLINE PRICE INCREASE. IMF (KOENIG) FEARS KNOWLEDGE OF PROPOSED CHANGE WILL DAMAGE ALREADY SHAKEN CONFIDENCE OF BANKS IN PERUVIAN PROGRAM, BUT BELIEVES IT LIKELY THAT BOARD WILL RELUCTANTLY GO ALONG WITH PERUVIANS IF THEY PRESS FOR
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CHANGE.

2. KOENIG BELIEVES PERUVIANS PROBABLY SUCCEEDED IN MEETING DECEMBER 31 NET RESERVE TARGET THROUGH EXPORT PRE-FINANCING. SHE COMMENTED THAT INFLATION WAS CONSIDERABLY LOWER THAN IMF HAD EXPECTED IN FOURTH QUARTER OF 1977, WHICH MEANS EFFECT OF AUSTERITY PROGRAM

IN TERMS OF REDUCTION OF REAL INCOMES WAS LESS THAN
PREDICTED.

3. INFORMATION WAS PROVIDED IN CONFIDENCE AND SHOULD NOT
BE REVEALED TO GOP. VANCE

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NNN

Message Attributes

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